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UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA
(Harrisburg Division)

UNITED STATES FIDELITY AND
GUARANTY COMPANY,
Plaintiff

v.

BRUCE J. BROWN and
BROWN SCHULTZ SHERIDAN &
FRITZ,
Defendants

1:CV 01-0813

CIVIL ACTION NO. 01-

FILED
HARRISBURG, PA

MAY 09 2001

MARY E. D'ANDREA, CLERK
Per 2/15
Deputy Clerk

COMPLAINT OF UNITED STATES FIDELITY AND GUARANTY COMPANY

I. INTRODUCTION

By this action, the United States Fidelity and Guaranty Company ("USF&G"), a performance and payment bond surety to CCI Construction Co. ("CCI"), seeks to recover damages which it has sustained as a result of its extension of surety credit and the issuance of construction surety bonds to CCI in reliance upon audited financial statements prepared by the defendants, Bruce J. Brown and Brown Schultz Sheridan & Fritz ("Brown Schultz"), that contain misrepresentations, omissions and/or inaccurate information.

II. PARTIES, JURISDICTION AND VENUE

A. Plaintiff

1. Plaintiff, USF&G is a corporation organized under the laws of Maryland and maintains a principal place of business in St. Paul, Minnesota.

B. Defendant

2. Defendant, Brown Schultz, is, upon information and belief, a professional corporation formed, upon information and belief, pursuant to the laws of the Commonwealth of Pennsylvania with a principal place of business at 1011 Mumma Road, Wormleysburg, Pennsylvania.

3. Defendant, Bruce J. Brown ("Brown") is, upon information and belief, an individual residing in the vicinity of Harrisburg, Pennsylvania, and is a partner with Brown Schultz, as well as the partner-in-charge of the CCI account.

C. Jurisdiction and Venue

4. Jurisdiction obtains pursuant to 28 U.S.C. §1332(a), as USF&G is a Maryland corporation with a principal place of business in St. Paul, Minnesota and Brown Schultz and Brown are citizens of the Commonwealth of Pennsylvania and have a principal place of business or residence in Pennsylvania. The amount in controversy, exclusive of interest and costs, exceeds \$75,000.00.

5. Venue obtains pursuant to 28 U.S.C. §1391(a) as Brown Schultz has a principal place of business in the Middle District of Pennsylvania and Brown is, upon information and belief, a resident in the Middle District of Pennsylvania.

III. FACTUAL BACKGROUND

USF&G Issues Bonds To CCI

6. CCI was a contractor engaged in construction work on public and private construction projects and maintained principal offices in Camp Hill, Pennsylvania.

7. USF&G is in the business of, *inter alia*, issuing payment and performance bonds on behalf of contractor and subcontractor principals engaged in the performance of work on public and private construction projects.

8. In general, in connection with the issuance of payment and performance bonds, USF&G establishes a "bonding program" for its contractor and subcontractor principals, thereby establishing a surety credit line for each such contractor and subcontractor principal.

9. In general, payment and performance bonds are issued by USF&G to such contractor and subcontractor principals pursuant to the bonding program established, as described in the previous paragraph.

10. As a condition of the establishment and/or extension of surety credit to CCI and the issuance of the payment and performance bonds to CCI, USF&G required that CCI furnish to it annually an audit report prepared by an independent certified public accountant consisting of, *inter alia*, an audit of CCI's balance sheet and income statement.

11. On information and belief, at all times material and relevant to this action, Brown and Brown Schultz have been engaged in the business of performing work as independent certified public accountants, including, *inter alia*, preparing audited financial statements for construction contractors and subcontractors for use by their bonding companies.

Relying Upon the Audits, USF&G Issues Bonds

12. Brown and Brown Schultz prepared audited financial statements for CCI for the years ended December 31, 1996, December 31, 1997 and December 31, 1998 (collectively, the "Audited Financial Statements"). Copies of the Audited Financial Statements are attached hereto as Exhibits "A," "B" and "C," respectively.

13. Brown and Brown Schultz knew that the Audited Financial Statements would be provided by CCI to its bonding company, which at all times material and relevant to this action was USF&G.

14. Brown and Brown Schultz knew that CCI's bonding company – USF&G – would rely upon the Audited Financial Statements to determine whether to extend, cancel or modify the surety credit program which USF&G established for CCI and to issue payment and performance bonds to CCI.

15. On or about May 1, 1997, USF&G received a copy of Brown Schultz's Independent Auditor's Report dated February 12, 1997 for CCI for the year ended December 31, 1996 and 1995 (the "1996 Audit Report").

16. In reliance upon the 1996 Audit Report, USF&G agreed to extend surety credit to CCI and, thereafter, USF&G issued payment and performance bonds to CCI for, *inter alia*, the following projects:

	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>BOND NO.</u>	<u>BOND DATE</u>	<u>PENAL SUM AMOUNT</u>
A.	Albemarle – Charlottesville Regional Jail	Additions and Renovations to Regional Jail	26-0120-12995-98-7	2/6/98	\$14,682,402.00
B.	Johnstown	Air Traffic Control Tower	26-0120-41362-97-1	8/15/97	\$ 3,734,530.00
C.	Lord Fairfax	Phase I-Lord Fairfax Community College	26-0120-41364-97-4	1/5/98	\$ 7,409,292.00
D.	Outlook-Hilliard	Construction of Outlook Point at Hilliard	26-0120-13008-98-0	2/23/98	\$ 5,598,750.00

17. On or about March 5, 1998, USF&G received a copy of Brown Schultz's Independent Auditor's Report dated February 10, 1998 for CCI for the years ended December 31, 1997 (the "1997 Audit Report").

18. In reliance upon the 1997 Audit Report, USF&G agreed to extend surety credit to CCI and, thereafter, USF&G issued payment and performance bonds to CCI for, *inter alia*, the following projects:

	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>BOND NO.</u>	<u>BOND DATE</u>	<u>PENAL SUM AMOUNT</u>
A.	Germplasm Ctr	Phase I and II; National Plant Germplasm	26-0120-28306-98-1	4/7/98	\$15,647,035.00
B.	James River	Construction of Juvenile Detention Center	26-0120-08946-99-2	1/7/99	\$ 7,220,942.00
C.	Outlook-Chesterfield	Construction of Outlook Point at Chesterfield	26-0120-29307-98-8	6/24/98	\$ 3,919,156.00
D.	Outlook-Westerville	Construction of Outlook Point at Westerville	26-0120-28312-98-1	9/27/98	\$ 5,591,730.00
E.	PA Tpkbldg-Kost Rd	Central Administration Building Renovation	26-0120-40371-99-1	4/30/98	\$28,231,945.00
F.	Perry Point	80 bed Psychiatric Care Building	26-0120-13002-98-1	3/12/98	\$13,297,844.00
G.	Scott A.F. Base	Aircraft Parking Apron & Jet Fuel Storage	26-0120-28305-98-5	3/30/98	\$18,880,298.00
H.	VCU Life Science	The Life Sciences Building	26-0120-08953-99-9	1/15/99	\$21,927,111.00

19. On or about March 1, 1999, USF&G received a copy of Brown Schultz's Independent Auditor's Report dated February 10, 1999 for CCI for the year ended December 31, 1998 (the "1998 Audit Report").

20. In reliance upon the 1998 Audit Report, USF&G agreed to extend surety credit to CCI and, thereafter, issued payment and performance bonds to CCI for, *inter alia*, the following projects:

	<u>PROJECT</u>	<u>DESCRIPTION</u>	<u>BOND NO.</u>	<u>BOND DATE</u>	<u>PENAL AMOUNT</u>
A.	Bedford County, State Route 0030	Road Improvements	26-0120-08963-99-4	6/17/99	\$ 514,976.00
B.	Cambria County SR 0022	Road Improvements	26-0120-08959-99-7	5/13/99	\$ 835,299.00
C.	Summerdale	Sitework-Laboratory Centers of Excellence	26-0120-08958-99-1	7/7/99	\$ 1,688,139.00
D.	Cool & Cold Aqua	Buried Process Water Lines and Valve	26-0120-40376-99-3	8/12/99	\$ 191,083.00
E.	Cool & Cold Aqua	Construction of National Center	26-0120-08961-99-1	4/15/99	\$12,191,000.00
F.	SR II Perry Cnty	Excavation, Presplit Blasting	26-0120-08953-99-9	3/2/99	\$ 4,126,478.00

(The projects and the bonds described in paragraphs 16, 18 and 20 of this Complaint are collectively referred to as the "Projects" and the "Bonds," respectively).

21. The Audited Financial Statements prepared by Brown Schultz were inaccurate, contained omissions and/or were misleading in whole or in part.

CCI Defaults And USF&G Incurs Heavy Losses

22. On or about September, 1999, CCI advised USF&G that it lacked the financial resources to continue its operations and, consequently, would not be able to complete its work and pay its suppliers and subcontractors relative to the Projects.

23. Subsequently, USF&G, as the surety for the payment and performance bonds which it issued for the Projects, was required to and did expend substantial sums satisfying the claims of CCI's unpaid vendors, employees and subcontractors, and in completing the Projects.

24. On or about May 19, 2000, CCI filed for bankruptcy.

25. As of this date, USF&G has incurred losses of approximately \$31,816,895 in connection with the Bonds issued in reliance upon the 1996, 1997 and 1998 Audited Financial Statements.

IV. USF&G'S CLAIMS AGAINST BROWN AND BROWN SCHULTZ

Count I – Negligent Misrepresentation

26. USF&G hereby restates and realleges the allegations contained in paragraphs 1 through 25 as if fully set forth herein.

27. At the times relevant and material to this action, Brown and Brown Schultz knew that the Audited Financial Statements would be furnished to USF&G.

28. At the times relevant and material to this action, Brown and Brown Schultz knew that as an inducement to extend surety bond credit to CCI, USF&G would rely on the Audited Financial Statements.

29. Brown and Brown Schultz owed a duty of care to USF&G as an intended recipient of the Audited Financial Statements.

30. USF&G justifiably and reasonably relied upon the Audited Financial Statements.

31. USF&G justifiably and reasonably relied upon the Audited Financial Statements to its detriment.

32. The Audited Financial Statements were inaccurate, misleading and/or contained omissions in whole or in part.

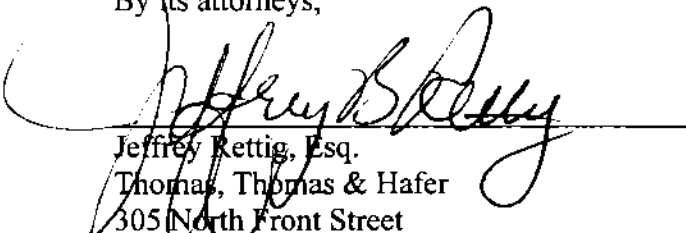
33. As a direct and proximate result of Brown and Brown Schultz's negligent misrepresentations contained in the Audited Financial Statements as aforesaid, USF&G has sustained and continues to sustain damages for which Brown and Brown Schultz are liable to USF&G, together with costs, interest and attorneys' fees.

WHEREFORE, USF&G demands that this Court:

1. Enter judgment against Brown and Brown Schultz in favor of USF&G as to Count I of this Complaint in the amount of its damages, plus interest, costs and reasonable attorneys' fees;
2. Grant USF&G such other and further relief as is proper and just.

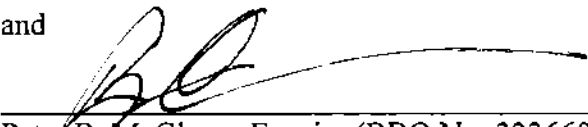
UNITED STATES FIDELITY &
GUARANTY COMPANY,

By its attorneys,



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and



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Boston, Massachusetts 02110
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Facsimile: (617) 790-3300

Dated: May 9, 2001
#222654 v1/36432/87

EXHIBIT A

CCI CONSTRUCTION COMPANY, INC.

**YEARS ENDED
DECEMBER 31, 1996 AND 1995**

**BROWN
SCHULTZ
SNYDER
PLESIC**
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

BROWN
SCHULTZ
SNYDER
PLESIC
CPA's
1000 N. 10TH AVE.
SUITE 200
MECHANICSBURG, PA 17055
(717) 866-1111
FAX (717) 866-1112

Independent Auditors' Report

Board of Directors
CCI Construction Company, Inc.
Mechanicsburg, Pennsylvania

We have audited the accompanying balance sheets of CCI Construction Company, Inc. as of December 31, 1996 and 1995 and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCI Construction Company, Inc. as of December 31, 1996 and 1995 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits of the financial statements were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown Schultz Snyder & Plesic

February 12, 1997

1000 N. 10TH AVE.
SUITE 200
MECHANICSBURG, PA 17055

(717) 866-1111
FAX (717) 866-1112

CCI CONSTRUCTION COMPANY, INC.**BALANCE SHEETS - DECEMBER 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,346,115	\$ 2,238,057
Investments in marketable securities	1,803,677	2,541,970
Accounts receivable, trade:		
Shareholder	268,583	
Affiliates	9,570	24,774
Other customers:		
Current	2,606,101	4,419,308
Retained	954,777	1,630,553
Note receivable	31,689	
Costs and estimated earnings in excess of billings on uncompleted contracts	379,663	759,655
Prepaid expenses	<u>53,232</u>	<u>104,041</u>
Total current assets	<u>9,453,407</u>	<u>11,718,358</u>
Property and equipment:		
Automobiles and trucks	279,361	298,142
Furniture	654,220	665,216
Leasehold improvements	3,558	88,161
Machinery and equipment	187,559	184,684
Small tools	<u>11,124</u>	<u>11,124</u>
	1,135,822	1,247,327
Less accumulated depreciation	<u>956,849</u>	<u>929,279</u>
	<u>178,973</u>	<u>318,048</u>
	<u>\$ 9,632,380</u>	<u>\$ 12,036,406</u>

See notes to financial statements.

LIABILITIES AND SHAREHOLDER'S EQUITY

	<u>1996</u>	<u>1995</u>
Current liabilities:		
Accounts payable, trade:		
Affiliates	\$ 2,300	\$ 2,300
Other vendors:		
Current	2,777,935	4,285,641
Retained	1,232,823	2,838,191
Accrued expenses	278,159	103,348
Taxes withheld and accrued	10,857	28,368
Billings in excess of costs and estimated earnings on uncompleted contracts	509,631	276,829
	<u>4,811,705</u>	<u>7,534,677</u>
Total liabilities (all current)		
Shareholder's equity:		
Common stock, \$1 par, 1,000 shares authorized;		
39 shares issued and outstanding	39	39
Capital in excess of par	9,758	9,758
Retained earnings	4,768,011	4,465,253
Unrealized gain on marketable securities	42,867	26,679
	<u>4,820,675</u>	<u>4,501,729</u>
	<u>\$ 9,632,380</u>	<u>\$ 12,036,406</u>

CCI CONSTRUCTION COMPANY, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
Revenue, construction contracts	\$ 24,465,870	\$ 48,181,072
Cost of contracts	<u>23,146,686</u>	<u>47,208,857</u>
Gross profit	1,319,184	972,215
General and administrative expenses	<u>1,180,087</u>	<u>1,280,577</u>
Income (loss) from operations	<u>139,097</u>	<u>(308,362)</u>
Other income (expense):		
Investment	275,016	335,065
Miscellaneous	17,210	19,864
Gain (loss) on sale of:		
Property and equipment	(72,051)	(770)
Marketable securities	<u>3,852</u>	<u>57,413</u>
	<u>224,027</u>	<u>411,572</u>
Net income	<u>\$ 363,124</u>	<u>\$ 103,210</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF SHAREHOLDER'S EQUITY****YEARS ENDED DECEMBER 31, 1996 AND 1995**

	Shares of common stock	Capital in excess of par	Retained earnings	Unrealized gain (loss) on marketable securities	Total
Balance, December 31, 1994	\$ 39	\$ 7,857	\$ 4,362,043	\$ (79,603)	\$ 4,290,336
Net income			103,210		103,210
Contributions		1,901			1,901
Unrealized gain on marketable securities				106,282	106,282
Balance, December 31, 1995	39	9,758	4,465,253	26,679	4,501,729
Net income			363,124		363,124
Distributions			(60,366)		(60,366)
Unrealized gain on marketable securities				16,188	16,188
Balance, December 31, 1996	<u>\$ 39</u>	<u>\$ 9,758</u>	<u>\$ 4,768,011</u>	<u>\$ 42,867</u>	<u>\$ 4,820,675</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:		
Net income	\$ <u>363,124</u>	\$ <u>103,210</u>
Adjustments:		
Depreciation	96,945	132,782
(Gain) loss on sale of:		
Property and equipment	72,051	770
Marketable securities	(186)	(36,671)
(Increase) decrease in:		
Marketable securities	80,000	49,250
Accounts receivable	2,235,604	1,864,507
Costs and estimated earnings in excess of billings on uncompleted contracts	379,992	(476,877)
Prepaid expenses	50,809	(7,943)
Increase (decrease) in:		
Accounts payable	(3,113,074)	(666,218)
Accrued expenses	174,811	(231,759)
Taxes withheld and accrued	(17,511)	5,799
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>232,802</u>	<u>(3,227,035)</u>
Total adjustments	<u>192,243</u>	<u>(2,593,395)</u>
Net cash provided by (used in) operating activities	<u>555,367</u>	<u>(2,490,185)</u>
Cash flows from investing activities:		
Purchase of investments	(100,681)	(842,552)
Proceeds from sale and maturities of investments	775,348	1,052,595
Due from shareholder		13,594
Issuance of note receivable	(35,000)	
Repayment of note receivable	3,311	
Purchase of property and equipment	(37,196)	(32,312)
Proceeds from sale of property and equipment	<u>7,275</u>	<u>23,996</u>
Net cash provided by investing activities	<u>613,057</u>	<u>215,321</u>

(continued)

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
Cash flows from financing activities:		
Contributions from shareholder		\$ 1,901
Distributions to shareholder	\$(60,366)	
Net cash provided by (used in) financing activities	<u>(60,366)</u>	<u>1,901</u>
Net increase (decrease) in cash and cash equivalents	1,108,058	(2,272,963)
Cash and cash equivalents, beginning of year	<u>2,238,057</u>	<u>4,511,020</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,346,115</u></u>	<u><u>\$ 2,238,057</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,462	\$ 3,977
Noncash activities:		
Net unrealized gain on marketable securities (see statements of shareholder's equity)	16,188	106,282

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. Summary of significant accounting policies:

Form of business:

Effective January 1, 1995, the Company re-established itself as a Pennsylvania corporation and as of that date changed its name from CCI Construction Co. to CCI Construction Company, Inc.

Operations and operating cycle:

The Company constructs commercial buildings primarily under fixed-price contracts in the northeast United States. The Company's receivables are concentrated among customers in this geographic area. The Company extends credit to its customers and generally requires no collateral.

The length of the Company's contracts varies but is typically between one to two years. In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when such amounts are realizable or payable over a period in excess of one year.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and cost recognition:

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of direct cost incurred to date to estimated total direct cost for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. Summary of significant accounting policies (continued):

Revenue and cost recognition (continued):

Contract costs include all direct material, labor and subcontracting costs and other direct costs related to contract performance. Indirect costs and general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are first determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Marketable securities:

Marketable securities consist of debt and equity securities.

The Company has adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities. This statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows:

- Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost.
- Debt and equity securities that are bought and held principally for the purpose of selling in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1996 AND 1995****1. Summary of significant accounting policies (continued):*****Marketable securities (continued):***

- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholder's equity. Fair value of the marketable securities is based on quoted market prices for those or similar securities or quotes from brokers.

Gains and losses are determined using the specific identification method when securities are sold.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using an accelerated method over the estimated useful lives of the assets.

Reclassification:

Certain 1995 amounts have been reclassified to conform with 1996 classifications.

2. Cash and cash equivalents:

Cash and cash equivalents consist of the following:

	<u>1996</u>	<u>1995</u>
Cash	\$ 792,232	\$(506,611)
Certificates of deposit	191,723	638,805
Money market funds	887,014	1,020,034
Repurchase agreements	<u>1,475,146</u>	<u>1,085,829</u>
	<u>\$ 3,346,115</u>	<u>\$ 2,238,057</u>

The amount of deposits in cash held at the bank exceeded the Federal Deposit Insurance Corporation (FDIC) by \$984,523. The certificates of deposit and money market funds held by brokers and the repurchase agreements are not insured by the FDIC. The repurchase agreements sold by a bank were held in custody by this bank for the account of CCI Construction Company, Inc. and were invested in securities.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

3. Marketable securities:

The cost or amortized cost and the aggregate fair value of investments in the debt and equity securities at December 31, 1996 and 1995 are as follows:

	1996			1995				
	Cost or amortized cost	Gross unrealized losses	Gross unrealized gains	Estimated fair value	Cost or amortized cost	Gross unrealized losses	Gross unrealized gains	Estimated fair value
Trading securities, corporate equity securities					\$ 100,000	\$ 20,000		\$ 80,000
Available-for-sale securities:								
Mutual funds	\$ 1,482,961	\$ 11,387	\$ 66,313	\$ 1,537,887	1,675,109		\$ 39,214	1,714,323
	<u>277,849</u>	<u>12,059</u>		<u>265,790</u>	<u>760,182</u>	<u>12,535</u>		<u>747,647</u>
Obligations of states and political subdivisions	<u>\$ 1,760,810</u>	<u>\$ 23,446</u>	<u>\$ 66,313</u>	<u>\$ 1,803,677</u>	<u>\$ 2,535,291</u>	<u>\$ 32,535</u>	<u>\$ 39,214</u>	<u>\$ 2,541,970</u>

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

3. Marketable securities (continued):

During 1995, the Company sold securities classified as held-to-maturity with an amortized cost of \$702,679 for a gain of \$35,502. On December 31, 1995, the Company transferred the held-to-maturity securities remaining at that date which had an amortized cost of \$760,182 and an unrealized gain of \$12,535 to the available-for-sale category due to a change of intent to hold these securities until maturity.

The amortized cost and estimated fair value of available-for-sale debt securities at December 31, 1996 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized cost</u>	<u>Estimated fair value</u>
Due after ten years	<u>\$ 277,849</u>	<u>\$ 265,790</u>
Available-for-sale securities:	<u>1996</u>	<u>1995</u>
Cost of securities sold	\$ 775,162	\$ 313,245
Proceeds from sale	775,347	314,116
Gross realized gains	12,047	5,318
Gross realized losses	11,862	4,447

Realized gains of \$513 on trading securities were included in the net income for 1996 and unrealized gains of \$3,000 on these securities were included in the net income for 1995.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1996 AND 1995****4. Uncompleted contracts:**

	<u>1996</u>	<u>1995</u>
Contract costs	\$ 11,174,827	\$ 62,816,462
Estimated earnings thereon	<u>2,346,304</u>	<u>1,748,180</u>
	13,521,131	64,564,642
Less billings applicable thereto	<u>13,651,099</u>	<u>64,081,816</u>
	<u><u>\$ (129,968)</u></u>	<u><u>\$ 482,826</u></u>
Included in the balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 379,663	\$ 759,655
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(509,631)</u>	<u>(276,829)</u>
	<u><u>\$ (129,968)</u></u>	<u><u>\$ 482,826</u></u>

5. Line of credit:

The Company has available a \$1,000,000 unsecured line of credit expiring on April 30, 1997 which requires interest at the bank's prime rate. The Company has no outstanding balance on the line at December 31, 1996.

6. Rent expense:

Various equipment and operating facilities are leased under noncancelable agreements. Total rent expense for all leases, including the related party lease discussed in Note 7, was \$120,623 and \$177,186 in 1996 and 1995, respectively.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1996 AND 1995****6. Rent expense (continued):**

The aggregate minimum rental commitments under all noncancelable leases at December 31, 1996 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
1997	\$ 72,233
1998	<u>11,784</u>
	<u>\$ 84,017</u>

7. Related party transactions:

The Company leased an operating facility from a related party, Old Gettysburg Associates II through November 30, 1996. The sole shareholder of the Company has a 20% partnership interest in Old Gettysburg Associates II. Total rent expense relating to this facility for 1996 and 1995 was \$71,864 and \$97,335, respectively.

Effective December 1, 1996, the Company began leasing an operating facility owned by its sole shareholder on a year-to-year basis. The lease requires an annual rental payment of \$45,000. Rent expense for this facility was \$3,750 for 1996. At December 31, 1996, the sole shareholder was billed \$268,270 for costs incurred by the Company relating to renovations made to the operating facility noted above.

8. Income taxes:

No provision has been made for federal income taxes and certain state income taxes. Under a provision of the Internal Revenue Code and the Commonwealth of Pennsylvania Tax Act, and the revenue codes of certain states, the Company has elected not to be taxed as a corporation and the sole shareholder has consented to include the income in his individual return. Taxes have been provided on income earned in states that do not recognize these tax provisions.

CCI CONSTRUCTION COMPANY, INC.**COST OF CONTRACTS****YEARS ENDED DECEMBER 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
Direct costs:		
Labor	\$ 1,726,413	\$ 1,805,825
Payroll taxes	183,327	191,852
Employee benefits	207,848	74,384
Equipment rental	7,437	23,371
Materials	2,031,948	2,505,759
Other	753,330	1,514,061
Subcontractors	17,773,935	40,267,339
Temporary help	<u>54,907</u>	<u>54,907</u>
	<u>22,684,238</u>	<u>46,437,498</u>
Indirect costs:		
Salaries	174,179	488,820
Payroll taxes	19,727	45,197
Employee benefits	13,044	34,176
Blueprints	703	7,925
Depreciation	28,576	46,645
Dues and permits	293	595
Employee recruitment	1,702	4,439
Insurance	1,718	1,555
Miscellaneous	706	1,932
Office supplies and expense	2,515	16,622
Postage	1,790	6,237
Professional services	131,915	1,425
Rent	36,360	60,765
Repairs and maintenance	4,324	3,096
Safety	128	1,186
Telephone	16,446	23,210
Temporary help	581	4,037

(continued)

CCI CONSTRUCTION COMPANY, INC.**COST OF CONTRACTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
Indirect costs (continued):		
Trade books and journals	\$ 89	\$ 387
Training and seminars	122	
Travel and entertainment	440	14,118
Utilities	2,014	2,678
Warehouse expenses	776	1,015
Warranty service	<u>24,300</u>	<u>5,299</u>
	<u>462,448</u>	<u>771,359</u>
Total cost of contracts	<u>\$ 23,146,686</u>	<u>\$ 47,208,857</u>

CCI CONSTRUCTION COMPANY, INC.

GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
Salaries:		
Officers	\$ 271,680	\$ 215,480
Office	399,009	395,996
Payroll taxes	46,920	52,615
Employee:		
Benefits	38,686	55,052
Recruitment	322	106
Advertising	1,746	2,800
Bank charges	3,273	4,536
Blueprints	4,712	8,790
Company sponsored activities	855	7,272
Contributions	2,298	5,340
Depreciation	68,369	86,137
Dues	8,150	7,251
Insurance	15,148	17,714
Licenses and taxes	46,230	72,830
Miscellaneous	268	204
Office supplies	11,099	6,363
Postage	9,305	13,338
Professional services	98,874	161,453
Rent	45,930	57,671
Repairs and maintenance	11,582	10,920
Telephone	59,435	58,236
Temporary help		444
Trade books and journals	20,809	15,054
Training and seminars	4,257	937
Travel and entertainment	9,737	24,038
Utilities	<u>1,393</u>	
Total general and administrative expenses	<u>\$ 1,180,087</u>	<u>\$ 1,280,577</u>

CCI CONSTRUCTION COMPANY, INC.**EARNINGS FROM CONTRACTS****YEAR ENDED DECEMBER 31, 1996**

	<u>Revenues earned</u>	<u>Cost of revenues earned</u>	<u>Gross profit (loss)</u>
Contracts completed during the year	\$ 12,093,252	\$ 12,408,317 (a)	\$ (315,065)
Contracts-in-progress at year-end	11,913,597	9,771,710 (a)	2,141,887
Construction management contracts	175,357	225,490 (a)	(50,133)
Time and material jobs	<u>283,664</u>	<u>278,721</u> (a)	<u>4,943</u>
	24,465,870	22,684,238	1,781,632
Indirect costs	<u> </u>	<u>462,448</u>	<u>462,448</u>
	<u>\$ 24,465,870</u>	<u>\$ 23,146,686</u>	<u>\$ 1,319,184</u>

(a) Excludes indirect costs not allocated to specific jobs.

CCI CONSTRUCTION COMPANY, INC.

COMPLETED CONTRACTS

YEAR ENDED DECEMBER 31, 1996

Job number	Contract	Contract totals			Before January 1, 1996			During the year ended December 31, 1996		
		Revenues earned	Cost of revenues earned	Gross profit (loss) before indirect costs	Revenues earned	Cost of revenues earned	Gross profit (loss) before indirect costs	Revenues earned	Cost of revenues earned	Gross profit (loss) before indirect costs
206	National Cancer Institute	\$ 14,546,469	\$ 14,124,022	\$ 422,447	\$ 12,643,254	\$ 12,227,944	\$ 415,310	\$ 1,803,215	\$ 1,898,078	\$ 7,137
304	Lincoln University	13,713,429	14,438,461	(725,032)	8,621,312	8,914,508	(293,196)	5,092,117	5,521,953	(429,836) (1)
311	Lightner Road Elementary School	5,855,100	6,481,083	(625,983)	5,803,321	6,314,158	(510,837)	51,779	168,925	(115,146) (1)
329	Consolidated ROT&E	15,708,891	15,016,387	692,504	12,862,292	12,265,498	626,794	2,828,599	2,760,889	65,710
338	N.W. Houston	110,000	46,669	63,331	55,437	35,547	19,890	54,563	11,122	43,441
339	Mid-America	186,784	127,464	59,320	145,572	108,243	37,329	41,212	19,221	21,991
381	Clearfield Hospital	4,966,370	4,724,210	242,160	4,243,719	4,044,067	199,652	722,651	680,143	42,509
384	State College Area Middle School	12,141,747	11,504,638	637,109	12,157,860	11,531,714	626,146	(16,113)	27,076	10,963
385	Carlisle Hospital	3,003,664	2,799,792	203,872	2,702,728	2,548,440	154,288	300,936	251,352	49,584
414	Kaufmann's	3,973,184	3,699,655	273,529	3,701,613	3,433,226	268,387	271,571	266,429	5,142
417	Villa Teresa	949,281	825,661	123,620	267,059	107,766	159,293	682,222	717,895	(35,673) (2)
423	Capital Cafeteria	68,000	60,289	7,711				68,000	60,289	7,711
427	EPW I	94,500	83,097	11,403				84,500	83,097	11,403
		\$ 75,317,419	\$ 73,929,428	\$ 1,387,991	\$ 63,224,167	\$ 61,521,111	\$ 1,703,056	\$ 12,093,252	\$ 12,408,317	\$ (315,065)

(1) The loss incurred in 1996 was caused by additional costs associated with subcontractor defaults and the related legal expenses to defend those cases which were unforeseen at December 31, 1996.

(2) Construction management contract at December 31, 1995.

CCI CONSTRUCTION COMPANY, INC.

CONTRACTS-IN-PROGRESS

DECEMBER 31, 1998

Job Number	Project	Total contract price	Estimated total direct contract costs	Estimated total contract earnings before indirect costs	Incurred to December 31, 1998		December 31, 1998		Year ended December 31, 1998	
					Direct contract costs to December 31, 1998	Indirect costs to December 31, 1998	Contract earnings accrued to December 31, 1998	Billings to December 31, 1998	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings
418	Capital Sprinter	\$ 7,315,964	\$ 5,566,247	\$ 1,749,717	\$ 5,271,160	\$ 1,656,656	\$ 6,716,258	\$ 211,860	\$ 38,498	\$ 5,320,584
420	Capital HVAC	288,050	223,180	74,870	92,420	31,004	161,822	\$ 187,803	123,424	\$ 3,868,043
421	Capital Electrical	1,944,646	1,414,085	530,561	1,286,482	482,685	1,601,364	\$ 415,035	1,769,167	\$ 1,452,541
422	Horne Depot	5,040,379	4,902,670	137,709	4,034,072	113,311	4,562,418	415,035	4,147,383	\$ 1,286,482
425	Capital Senate	90,567	67,821	22,736	34,345	11,514	57,220	11,361	45,859	\$ 4,034,072
426	U E P H. Complex	18,430,763	14,783,978	1,646,782	458,348	50,832	561,912	44,737	507,180	\$ 458,348
		\$ 31,220,359	\$ 24,957,979	\$ 4,182,380	\$ 11,174,822	\$ 2,346,304	\$ 13,651,099	\$ 329,683	\$ 509,631	\$ 11,973,587
										\$ 9,722,719
										\$ 2,141,887

EXHIBIT B

CCI CONSTRUCTION COMPANY, INC.

***YEARS ENDED
DECEMBER 31, 1997 AND 1996***

CCI CONSTRUCTION COMPANY, INC.

YEARS ENDED DECEMBER 31, 1997 AND 1996

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Independent Auditors' Report

Board of Directors
CCI Construction Company, Inc.
Mechanicsburg, Pennsylvania

We have audited the accompanying balance sheets of CCI Construction Company, Inc. as of December 31, 1997 and 1996 and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCI Construction Company, Inc. as of December 31, 1997 and 1996 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits of the financial statements were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown Schultz

February 10, 1998

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AND
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CCI CONSTRUCTION COMPANY, INC.**BALANCE SHEETS - DECEMBER 31, 1997 AND 1996**

ASSETS		
	<u>1997</u>	<u>1996</u>
Current assets:		
Cash and cash equivalents	\$ 1,128,337	\$ 3,346,115
Investments in marketable securities	3,702,992	1,803,677
Accounts receivable, trade:		
Customers:		
Current	8,230,674	2,606,101
Retained	1,121,610	954,777
Shareholder		268,583
Affiliates	3,485	9,570
Note receivable	22,569	31,689
Costs and estimated earnings in excess of billings on uncompleted contracts	1,072,281	379,663
Prepaid expenses	6,185	53,232
Shop inventory	<u>639</u>	<u> </u>
Total current assets	<u>15,288,772</u>	<u>9,453,407</u>
Property and equipment:		
Automobiles and trucks	427,342	279,361
Furniture	553,587	654,220
Machinery and equipment	1,323,233	187,559
Other	<u>72,453</u>	<u>14,682</u>
	2,376,615	1,135,822
Less accumulated depreciation	<u>920,919</u>	<u>956,849</u>
	<u>1,455,696</u>	<u>178,973</u>
	<u>\$ 16,744,468</u>	<u>\$ 9,632,380</u>

See notes to financial statements.

LIABILITIES AND SHAREHOLDER'S EQUITY

	<u>1997</u>	<u>1996</u>
Current liabilities:		
Accounts payable, trade:		
Vendors:		
Current	\$ 7,846,395	\$ 2,777,935
Retained	1,078,950	1,232,823
Affiliates		2,300
Notes payable	815,781	
Accrued expenses	808,601	278,159
Taxes withheld and accrued	58,023	10,857
Billings in excess of costs and estimated earnings on uncompleted contracts	681,924	509,631
	<u>11,289,674</u>	<u>4,811,705</u>
Total liabilities (all current)		
Shareholder's equity:		
Common stock, \$1 par, 1,000 shares authorized;		
39 shares issued and outstanding	39	39
Capital in excess of par	9,758	9,758
Retained earnings	5,208,489	4,768,011
Unrealized gain on marketable securities	<u>236,508</u>	<u>42,867</u>
	<u>5,454,794</u>	<u>4,820,675</u>
	<u>\$ 16,744,468</u>	<u>\$ 9,632,380</u>

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Revenue	\$ 34,921,676	\$ 24,465,870
Cost of contracts	<u>32,617,473</u>	<u>23,146,686</u>
Gross profit	2,304,203	1,319,184
General and administrative expenses	<u>1,954,380</u>	<u>1,180,087</u>
Income from operations	<u>349,823</u>	<u>139,097</u>
Other income (expense):	367,538	275,016
Investment	(1,546)	17,210
Miscellaneous		
Gain (loss) on sale of:	(2,920)	(72,051)
Property and equipment	(6,016)	3,852
Marketable securities and cash equivalents		
	<u>357,056</u>	<u>224,027</u>
Net income	<u>\$ 706,879</u>	<u>\$ 363,124</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF SHAREHOLDER'S EQUITY****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	Shares of common stock	Capital in excess of par	Retained earnings	Unrealized gain on marketable securities	Total
Balance, December 31, 1995	\$ 39	\$ 9,758	\$ 4,465,253	\$ 26,679	\$ 4,501,729
Net income			363,124		363,124
Distributions			(60,366)		(60,366)
Unrealized gain on marketable securities				16,188	16,188
Balance, December 31, 1996	39	9,758	4,768,011	42,867	4,820,675
Net income			706,879		706,879
Distributions			(266,401)		(266,401)
Unrealized gain on marketable securities				193,641	193,641
Balance, December 31, 1997	<u>\$ 39</u>	<u>\$ 9,758</u>	<u>\$ 5,208,489</u>	<u>\$ 236,508</u>	<u>\$ 5,454,794</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Net Income	<u>\$ 706,879</u>	<u>\$ 363,124</u>
Adjustments:		
Depreciation	156,504	96,945
(Gain) loss on sale of:		
Property and equipment	2,920	72,051
Marketable securities	6,293	(186)
(Increase) decrease in:		
Marketable securities		80,000
Accounts receivable	(5,516,738)	2,235,604
Costs and estimated earnings in excess of billings on uncompleted contracts	(692,618)	379,992
Prepaid expenses	47,047	50,809
Shop inventory	(639)	
Increase (decrease) in:		
Accounts payable	4,912,287	(3,113,074)
Accrued expenses	530,442	174,811
Taxes withheld and accrued	47,166	(17,511)
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>172,293</u>	<u>232,802</u>
Total adjustments	<u>(335,043)</u>	<u>192,243</u>
Net cash provided by operating activities	<u>371,836</u>	<u>555,367</u>
Cash flows from investing activities:		
Purchase of investments	(11,093,130)	(100,681)
Proceeds from sale and maturities of investments	9,381,163	775,348
Issuance of note receivable		(35,000)
Repayment of note receivable	9,120	3,311
Purchase of property and equipment	(560,929)	(37,196)
Proceeds from sale of property and equipment	<u>13,864</u>	<u>7,275</u>
Net cash provided by (used in) investing activities	<u>(2,249,912)</u>	<u>613,057</u>

(continued)

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Cash flows from financing activities:		
Distributions to shareholder	\$(266,401)	\$(60,366)
Repayment of notes payable	<u>(73,301)</u>	<u> </u>
Net cash used in financing activities	<u>(339,702)</u>	<u>(60,366)</u>
Net increase (decrease) in cash and cash equivalents	(2,217,778)	1,108,058
Cash and cash equivalents, beginning of year	<u>3,346,115</u>	<u>2,238,057</u>
Cash and cash equivalents, end of year	<u>\$ 1,128,337</u>	<u>\$ 3,346,115</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,707	\$ 1,462
Noncash activities:		
Net unrealized gain on marketable securities (see statements of shareholder's equity)	\$ 193,641	16,188
Notes payable totaling \$889,082 were incurred for the acquisition of new equipment		

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997 AND 1996

1. Summary of significant accounting policies:

Operations and operating cycle:

The Company constructs and renovates commercial buildings primarily under fixed-price contracts in the northeast United States. The Company's receivables are concentrated among customers in this geographic area. The Company extends credit to its customers and generally requires no collateral.

The length of the Company's contracts varies but is typically between one to two years. In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when such amounts are realizable or payable over a period in excess of one year.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and cost recognition:

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of direct cost incurred to date to estimated total direct cost for each contract. That method is used because management considers direct cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

For purposes of determining percentage of completion estimates, contract costs include all direct material, labor and subcontracting costs and other direct costs related to contract performance. Indirect costs and general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are first determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1997 AND 1996****1. Summary of significant accounting policies (continued):*****Revenue and cost recognition (continued):***

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Marketable securities:

Marketable securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholder's equity. Fair value of the marketable securities is based on quoted market prices for those or similar securities or quotes from brokers. Gains and losses are determined using the specific identification method when securities are sold.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using an accelerated method over the estimated useful lives of the assets.

2. Cash and cash equivalents:

Cash and cash equivalents consist of the following:

	<u>1997</u>	<u>1996</u>
Cash	\$ 451	\$ 792,232
Certificates of deposit		191,723
Money market funds	403,714	887,014
Repurchase agreements, net of cash overdraft of \$601,973	<u>724,172</u>	<u>1,475,146</u>
	<u>\$ 1,128,337</u>	<u>\$ 3,346,115</u>

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1997 AND 1996

2. Cash and cash equivalents (continued):

At December 31, 1997, the amount of deposits in cash held at the bank exceeded the Federal Deposit Insurance Corporation (FDIC) by \$48,396. The money market funds and the repurchase agreements are not insured by the FDIC. The repurchase agreements sold by a bank were held in custody by this bank for the account of CCI Construction Company, Inc. and were invested in securities, which are not pledged as collateral.

3. Marketable securities:

The cost or amortized cost and the aggregate fair value of investments in the debt and equity securities at December 31, 1997 and 1996 are as follows:

	1997			1998				
	Cost or amortized cost	Gross unrealized losses	Gross unrealized gains	Estimated fair value	Cost or amortized cost	Gross unrealized losses	Gross unrealized gains	Estimated fair value
Available-for-sale securities:								
Mutual funds	\$ 3,386,480	\$ 16,845	\$ 253,465	\$ 3,623,100	\$ 1,482,961	\$ 11,387	\$ 66,313	\$ 1,537,887
	<u>80,004</u>	<u>112</u>	<u>—</u>	<u>79,892</u>	<u>277,849</u>	<u>12,059</u>	<u>—</u>	<u>265,790</u>
Obligations of states and political subdivisions	<u>\$ 3,466,484</u>	<u>\$ 16,957</u>	<u>\$ 253,465</u>	<u>\$ 3,702,992</u>	<u>\$ 1,760,810</u>	<u>\$ 23,446</u>	<u>\$ 66,313</u>	<u>\$ 1,803,677</u>

The available-for-sale debt securities at December 31, 1997 are due after ten years. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1997 AND 1996****3. Marketable securities (continued):**

	<u>1997</u>	<u>1996</u>
Cost of securities sold	\$ 9,387,456	\$ 775,162
Proceeds from sale	9,381,163	775,347
Gross realized gains		12,047
Gross realized losses	6,293	11,862

4. Uncompleted contracts:

	<u>1997</u>	<u>1996</u>
Contract costs	\$ 27,920,734	\$ 11,174,827
Estimated earnings thereon	<u>1,638,199</u>	<u>2,346,304</u>
	29,558,933	13,521,131
Less billings applicable thereto	<u>29,168,576</u>	<u>13,651,099</u>
	<u>\$ 390,357</u>	<u>\$ (129,968)</u>
Included in the balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 1,072,281	\$ 379,663
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(681,924)</u>	<u>(509,631)</u>
	<u>\$ 390,357</u>	<u>\$ (129,968)</u>

5. Notes payable:

Equipment is pledged as collateral for these notes which require monthly installments of \$74,600, including interest at 1.27%, through December 1998.

6. Line of credit:

The Company has available a \$1,000,000 unsecured line of credit expiring on April 30, 1998 which requires interest at the bank's prime rate. The Company has no outstanding balance on the line at December 31, 1997.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1997 AND 1996****7. Rent expense:**

Various equipment and operating facilities are leased under noncancelable agreements. Total rent expense for all leases, including the related party lease discussed in Note 8, was \$432,492 and \$120,623 in 1997 and 1996, respectively.

The aggregate minimum rental commitments under all noncancelable leases at December 31, 1997 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
1998	\$ 95,796
1999	21,730

8. Related party transactions:

The Company leased an operating facility from a related party, Old Gettysburg Associates II through November 30, 1996. The sole shareholder of the Company has a 20% partnership interest in Old Gettysburg Associates II. Total rent expense relating to this facility for 1996 was \$71,864.

Effective December 1, 1996, the Company began leasing an operating facility owned by its sole shareholder on a year-to-year basis. The lease requires an annual rental payment of \$45,000. Rent expense for this facility was \$45,000 and \$3,750 for 1997 and 1996, respectively. At December 31, 1996, the sole shareholder was billed \$268,270 for costs incurred by the Company relating to renovations made to this operating facility. This balance was paid in 1997.

During 1997, the Company incurred warranty insurance expense of \$825,000 with Pennsylvania Contractors Insurance Company, a corporation under common control. These costs are allocated as direct cost of contracts.

9. Income taxes:

No provision has been made for federal or state income taxes. Under provisions of the Internal Revenue Code and the Commonwealth of Pennsylvania Tax Act, the Company has elected not to be taxed as a corporation and the sole shareholder has consented to include the income in his individual return.

CCI CONSTRUCTION COMPANY, INC.**COST OF CONTRACTS****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Direct costs:		
Labor	\$ 2,886,054	\$ 1,726,413
Payroll taxes	335,936	183,327
Employee benefits	677,477	207,848
Equipment	41,373	
Equipment rental	381,924	7,437
Materials	4,259,253	2,031,948
Other	1,679,129	753,330
Subcontractors	<u>22,099,706</u>	<u>17,773,935</u>
	<u>32,360,852</u>	<u>22,684,238</u>
Indirect costs:		
Salaries	86,208	174,179
Payroll taxes	11,217	19,727
Employee benefits	8,324	13,044
Blueprints	6	703
Depreciation	95,723	28,576
Dues and permits	710	293
Employee recruitment	7,151	1,702
Insurance	716	1,718
Miscellaneous		706
Office supplies and expense	8,112	2,515
Postage	253	1,790
Professional services		131,915
Rent	8,636	36,360
Repairs and maintenance	3,648	4,324
Safety	2,157	128
Telephone	11,802	16,446
Temporary help		581

(continued)

CCI CONSTRUCTION COMPANY, INC.**COST OF CONTRACTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Indirect costs (continued):		
Trade books and journals	\$ 556	\$ 89
Training and seminars		122
Travel and entertainment	728	440
Utilities	1,413	2,014
Warehouse expenses	9,261	776
Warranty service		<u>24,300</u>
	<u>256,621</u>	<u>462,448</u>
Total cost of contracts	<u>\$ 32,617,473</u>	<u>\$ 23,146,686</u>

CCI CONSTRUCTION COMPANY, INC.**GENERAL AND ADMINISTRATIVE EXPENSES****YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Salaries:	\$ 1,038,273	\$ 271,680
Officers	410,023	399,009
Office	73,399	46,920
Payroll taxes		
Employee:	33,722	38,686
Benefits	2,237	322
Recruitment	1,038	1,746
Advertising	3,667	3,273
Bank charges	13,507	4,712
Blueprints	1,098	855
Company sponsored activities	3,030	2,298
Contributions	60,781	68,369
Depreciation	8,058	8,150
Dues	12,162	15,148
Insurance	44,270	46,230
Licenses and taxes	265	268
Miscellaneous	18,875	11,099
Office supplies	7,914	9,305
Postage	95,337	98,874
Professional services	33,744	45,930
Rent	7,689	11,582
Repairs and maintenance	31,328	59,435
Telephone	22,995	20,809
Trade books and journals	1,086	4,257
Training and seminars	5,948	9,737
Travel and entertainment	23,934	1,393
Utilities		
	<u>\$ 1,954,380</u>	<u>\$ 1,180,087</u>
Total general and administrative expenses		

CCI CONSTRUCTION COMPANY, INC.**EARNINGS FROM CONTRACTS****YEAR ENDED DECEMBER 31, 1997**

	<u>Revenues earned</u>	<u>Cost of revenues earned</u>	<u>Gross profit</u>
Contracts completed during the year	\$ 4,940,855	\$ 4,076,410 (a)	\$ 864,445
Contracts-in-progress at year-end	29,051,753	27,464,386 (a)	1,587,367
Construction management contracts	45,890	31,325 (a)	14,565
Time and material jobs	<u>883,178</u>	<u>788,731</u> (a)	<u>94,447</u>
	34,921,676	32,360,852	2,560,824
Indirect costs	<u> </u>	<u>256,621</u>	<u>256,621</u>
	<u>\$ 34,921,676</u>	<u>\$ 32,617,473</u>	<u>\$ 2,304,203</u>

(a) Excludes indirect costs not allocated to specific jobs.

CCI CONSTRUCTION COMPANY, INC.

COMPLETED CONTRACTS

YEAR ENDED DECEMBER 31, 1997

Job number	Contract	Contract totals			Before January 1, 1997			During the year ended December 31, 1997		
		Revenues earned	Cost of revenues earned	Gross profit before indirect costs	Revenues earned	Cost of revenues earned	Gross profit before indirect costs	Revenues earned	Cost of revenues earned	Gross profit before indirect costs
418	Capital Sprinkler - A	\$ 7,808,776	\$ 5,835,467	\$ 1,873,309	\$ 6,928,118	\$ 5,271,160	\$ 1,656,958	\$ 880,658	\$ 664,307	\$ 216,351
420	Capital HVAC	204,058	103,588	100,470	123,424	82,420	31,004	80,634	11,168	69,466
421	Capital Electrical	2,460,065	1,729,583	730,482	1,769,167	1,286,482	482,685	630,898	443,101	247,797
422	Home Depot	5,200,440	5,034,557	165,883	4,147,383	4,034,072	113,311	1,053,057	1,000,485	52,572
425	Capital Seniors	93,741	47,294	46,447	45,859	34,345	11,514	47,882	12,949	34,933
438	Capital Sprinkler - H	191,714	176,131	13,583				191,714	176,131	13,583
437	Capital renovation	1,290,074	1,149,938	140,136				1,290,074	1,149,938	140,136
442	Capital porticoes	705,938	616,331	89,607				705,938	616,331	89,607
		<u>\$ 17,854,806</u>	<u>\$ 14,794,889</u>	<u>\$ 3,159,917</u>	<u>\$ 13,013,951</u>	<u>\$ 10,718,479</u>	<u>\$ 2,295,472</u>	<u>\$ 4,940,855</u>	<u>\$ 4,076,410</u>	<u>\$ 864,445</u>

CCI CONSTRUCTION COMPANY, INC.

CONTRACTS-IN-PROGRESS

DECEMBER 31, 1997

Job number	Project	Total contract price	Estimated total direct contract costs	Estimated total contract earnings (loss) before indirect costs	Adjusted contract costs to December 31, 1997	Contract earnings (loss) accrued to December 31, 1997 before indirect costs	Change to December 31, 1997	December 31, 1997 Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Year ended December 31, 1997 Revenues earned	Direct cost of revenues earned	Gross profit (loss) before indirect costs
438	U.E.P.H. Complex	\$ 18,981,022	\$ 18,948,701	\$ 2,012,321	\$ 15,878,479	\$ 1,885,254	\$ 10,899,942	\$ 863,791	\$ 282,682	\$ 17,258,553	\$ 15,422,131	\$ 1,834,422
439	Mahoney Prison	10,289,145	10,523,784	(234,619)	6,309,222	(234,619)	6,337,205		263,255	6,074,803	6,309,222	(234,619)
445	Houdonville Prison	10,357,787	10,440,743	(82,958)	4,169,371	(82,958)	4,349,670	45,221		4,088,415	4,169,371	(82,958)
448	Outlook Pointe	4,804,000	4,328,590	275,410	521,254	33,185	509,198	48,758		554,419	521,254	33,185
449	U.E.P.H. Headquarters	1,387,668	1,374,659	12,807	515,339	4,800	473,383	118,513		520,139	515,339	4,800
450	Johnstown	3,288,800	3,237,111	29,489	115,481	1,052				118,513	115,481	1,052
451	Lord Fairfax	6,890,893	6,391,785	499,208	411,608	31,503	599,088		155,877	443,111	411,608	31,503
		<u>\$ 55,747,213</u>	<u>\$ 53,245,553</u>	<u>\$ 2,501,660</u>	<u>\$ 27,870,734</u>	<u>\$ 1,638,198</u>	<u>\$ 28,108,578</u>	<u>\$ 1,072,281</u>	<u>\$ 681,924</u>	<u>\$ 29,051,753</u>	<u>\$ 27,484,388</u>	<u>\$ 1,567,365</u>

EXHIBIT C

CCI CONSTRUCTION COMPANY, INC.

***YEARS ENDED
DECEMBER 31, 1998 AND 1997***

CCI CONSTRUCTION COMPANY, INC.

YEARS ENDED DECEMBER 31, 1998 AND 1997

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Independent Auditors' Report

Board of Directors
CCI Construction Company, Inc.
Mechanicsburg, Pennsylvania

We have audited the accompanying balance sheets of CCI Construction Company, Inc. as of December 31, 1998 and 1997 and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCI Construction Company, Inc. as of December 31, 1998 and 1997 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits of the financial statements were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown Schultz Sheridan & Fritz

February 10, 1999

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AND
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CCI CONSTRUCTION COMPANY, INC.**BALANCE SHEETS - DECEMBER 31, 1998 AND 1997**

ASSETS			
		<u>1998</u>	<u>1997</u>
Current assets:			
Cash and cash equivalents	\$	2,429,866	\$ 1,128,337
Investments in marketable securities		631,481	3,702,992
Accounts receivable, trade:			
Customers:			
Current		5,964,311	8,230,674
Retained		1,822,224	1,121,610
Affiliates		365,756	3,485
Note receivable			22,569
Costs and estimated earnings in excess of billings on uncompleted contracts		6,341,726	1,072,281
Prepaid expenses		170,232	6,185
Shop inventory		<u>38,161</u>	<u>639</u>
Total current assets		<u>17,763,757</u>	<u>15,288,772</u>
Property and equipment:			
Automobiles and trucks		1,269,567	427,342
Furniture		851,738	553,587
Machinery and equipment		5,947,290	1,323,233
Other		<u>344,128</u>	<u>72,453</u>
		8,412,723	2,376,615
Less accumulated depreciation		<u>1,651,485</u>	<u>920,919</u>
		<u>6,761,238</u>	<u>1,455,696</u>
Other assets:			
Cash surrender value of officer's life insurance		55,453	
Investments		<u>34,000</u>	
		<u>89,453</u>	
		<u>\$ 24,614,448</u>	<u>\$ 16,744,468</u>

See notes to financial statements.

LIABILITIES AND SHAREHOLDER'S EQUITY

	<u>1998</u>	<u>1997</u>
Current liabilities:		
Accounts payable, trade:		
Current	\$ 10,974,274	\$ 7,846,395
Retained	2,180,967	1,078,950
Notes payable		815,781
Current portion of long-term debt	1,338,280	
Accrued expenses	333,060	808,601
Taxes withheld and accrued	91,601	58,023
Billings in excess of costs and estimated earnings on uncompleted contracts	288,208	681,924
	<u>15,206,390</u>	<u>11,289,674</u>
Total current liabilities		
Long-term debt, net of current portion	<u>4,164,375</u>	<u> </u>
Total liabilities	<u>19,370,765</u>	<u>11,289,674</u>
Shareholder's equity:		
Common stock, \$1 par, 1,000 shares authorized; 39 shares issued and outstanding	39	39
Capital in excess of par	9,758	9,758
Retained earnings	5,254,834	5,208,489
Accumulated other comprehensive income (loss), unrealized gain (loss) on marketable securities	(20,948)	236,508
	<u>5,243,683</u>	<u>5,454,794</u>
	<u>\$ 24,614,448</u>	<u>\$ 16,744,468</u>

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Revenue	\$ 52,534,453	\$ 34,921,676
Cost of contracts	<u>51,145,382</u>	<u>32,617,473</u>
Gross profit	1,389,071	2,304,203
General and administrative expenses	<u>1,505,700</u>	<u>1,954,380</u>
Income (loss) from operations	<u>(116,629)</u>	<u>349,823</u>
Other income (expense):		
Gain (loss) on sale of:		
Marketable securities and cash equivalents	260,927	(6,016)
Property and equipment	10,069	(2,920)
Interest	(161,296)	
Investment	151,592	367,538
Miscellaneous	<u>(85,622)</u>	<u>(1,546)</u>
	<u>175,670</u>	<u>357,056</u>
Net income	<u>\$ 59,041</u>	<u>\$ 706,879</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF SHAREHOLDER'S EQUITY****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>Common stock</u>	<u>Capital in excess of par</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
Balance, December 31, 1996	\$ 39	\$ 9,758	\$ 4,768,011	\$ 42,867	\$ 4,820,675
Comprehensive income:					
Net income			706,879		706,879
Other comprehensive income:					
Unrealized holding gains arising during the period				187,348	187,348
on marketable securities				6,293	6,293
Add reclassification adjustment					
					<u>193,641</u>
Comprehensive income					900,520
Distributions			<u>(266,401)</u>		<u>(266,401)</u>
Balance, December 31, 1997 (carried forward)	39	9,758	5,208,489	236,508	5,454,794

(continued)

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF SHAREHOLDER'S EQUITY (CONTINUED)****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>Common stock</u>	<u>Capital in excess of par</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
Balance, December 31, 1997 (brought forward)	\$ 39	\$ 9,758	\$ 5,208,489	\$ 236,508	<u>\$ 5,454,794</u>
Comprehensive loss:					
Net income			59,041		<u>59,041</u>
Other comprehensive income (loss):					
Unrealized holding gains arising during the period				3,469	3,469
on marketable securities				(260,925)	<u>(260,925)</u>
Less reclassification adjustment					<u>(257,456)</u>
Comprehensive loss					<u>(198,415)</u>
Distributions			<u>(12,696)</u>		<u>(12,696)</u>
Balance, December 31, 1998	<u>\$ 39</u>	<u>\$ 9,758</u>	<u>\$ 5,254,834</u>	<u>\$ (20,948)</u>	<u>\$ 5,243,683</u>

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Net income	\$ 59,041	\$ 706,879
Adjustments:		
Depreciation	793,014	156,504
(Gain) loss on sale of:		
Property and equipment	(10,069)	2,920
Marketable securities	(260,927)	6,293
(Increase) decrease in:		
Accounts receivable	1,203,478	(5,516,738)
Costs and estimated earnings in excess of billings on uncompleted contracts	(5,269,445)	(692,618)
Prepaid expenses	(164,047)	47,047
Shop inventory	(37,522)	(639)
Cash surrender value of officer's life insurance	(55,453)	
Increase (decrease) in:		
Accounts payable	4,229,896	4,912,287
Accrued expenses	(475,541)	530,442
Taxes withheld and accrued	33,578	47,166
Billings in excess of costs and estimated earnings on uncompleted contracts	(393,716)	172,293
Total adjustments	<u>(406,754)</u>	<u>(335,043)</u>
Net cash provided by (used in) operating activities	<u>(347,713)</u>	<u>371,836</u>
Cash flows from investing activities:		
Purchase of:		
Investments	(161,670)	(11,093,130)
Property and equipment	(98,793)	(560,929)
Repayment of note receivable	22,569	9,120
Proceeds from:		
Sale and maturities of investments	3,202,652	9,381,163
Sale of property and equipment	<u>28,502</u>	<u>13,864</u>
Net cash provided by (used in) investing activities	<u>2,993,260</u>	<u>(2,249,912)</u>

(continued)

CCI CONSTRUCTION COMPANY, INC.**STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Cash flows from financing activities:		
Distributions to shareholder	\$(12,696)	\$(266,401)
Proceeds from issuance of notes payable and long-term debt	17,990,666	
Repayment of notes payable and long-term debt	<u>(19,321,988)</u>	<u>(73,301)</u>
Net cash used in financing activities	<u>(1,344,018)</u>	<u>(339,702)</u>
Net increase (decrease) in cash and cash equivalents	1,301,529	(2,217,778)
Cash and cash equivalents, beginning of year	<u>1,128,337</u>	<u>3,346,115</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,429,866</u></u>	<u><u>\$ 1,128,337</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 161,296	\$ 1,707
Noncash activities:		
Net increase (decrease) in unrealized gain on marketable securities (see statements of shareholder's equity)	\$(257,456)	\$ 193,641
Notes payable incurred for the acquisition of new equipment	\$ 6,018,196	\$ 889,082

See notes to financial statements.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1998 AND 1997

1. Summary of significant accounting policies:

Operations and operating cycle:

The Company constructs and renovates commercial buildings primarily under fixed-price contracts in the eastern United States. The Company's receivables are concentrated among customers in this geographic area. The Company extends credit to its customers and generally requires no collateral.

The length of the Company's contracts varies but is typically between one to two years. In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when such amounts are realizable or payable over a period in excess of one year.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and cost recognition:

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of direct cost incurred to date to estimated total direct cost for each contract. That method is used because management considers direct cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

For purposes of determining percentage of completion estimates, contract costs include all direct material, labor and subcontracting costs and other direct costs related to contract performance. Indirect costs and general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are first determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1998 AND 1997

1. Summary of significant accounting policies (continued):

Revenue and cost recognition (continued):

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Marketable securities:

Marketable securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholder's equity. Fair value of the marketable securities is based on quoted market prices for those or similar securities or quotes from brokers. Gains and losses are determined using the specific identification method when securities are sold.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets.

Change in presentation:

During 1998, the Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130). SFAS No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. SFAS No. 130 requires that the earlier year provided for comparative purposes be reclassified to conform to the statement.

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1998 AND 1997****2. Cash and cash equivalents:**

Cash and cash equivalents consist of the following:

	<u>1998</u>	<u>1997</u>
Cash	\$ 374,464	\$ 451
Money market funds	1,035	403,714
Repurchase agreements	<u>2,054,367</u>	<u>724,172</u>
	<u>\$ 2,429,866</u>	<u>\$ 1,128,337</u>

At December 31, 1998, the amount of deposits in cash held at the bank exceeded the Federal Deposit Insurance Corporation (FDIC) insurance by \$867,883. The money market funds and the repurchase agreements are not insured by the FDIC. The repurchase agreements sold by a bank were held in custody by this bank for the account of CCI Construction Company, Inc. and were invested in securities, which are not pledged as collateral.

3. Marketable securities:

The cost or amortized cost and the aggregate fair value of investments in the debt and equity securities at December 31, 1998 and 1997 are as follows:

	<u>1998</u>		
	<u>Cost or amortized cost</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
Available-for-sale securities, mutual funds	<u>\$ 652,429</u>	<u>\$ 20,948</u>	<u>\$ 631,481</u>

	<u>1997</u>			
	<u>Cost or amortized cost</u>	<u>Gross unrealized losses</u>	<u>Gross unrealized gains</u>	<u>Estimated fair value</u>
Available-for-sale securities:				
Mutual funds	\$ 3,386,480	\$ 16,845	\$ 253,465	\$ 3,623,100
Obligations of states and political subdivisions	<u>80,004</u>	<u>112</u>	<u> </u>	<u>79,892</u>
	<u>\$ 3,466,484</u>	<u>\$ 16,957</u>	<u>\$ 253,465</u>	<u>\$ 3,702,992</u>

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1998 AND 1997****3. Marketable securities (continued):**

	<u>1998</u>	<u>1997</u>
Cost of securities sold	\$ 2,941,725	\$ 9,387,456
Proceeds from sale	3,202,652	9,381,163
Gross realized gains	262,391	
Gross realized losses	1,464	6,293

4. Uncompleted contracts:

	<u>1998</u>	<u>1997</u>
Contract costs	\$ 42,225,606	\$ 27,920,734
Estimated earnings thereon	<u>3,130,223</u>	<u>1,638,199</u>
	45,355,829	29,558,933
Less billings applicable thereto	<u>39,302,311</u>	<u>29,168,576</u>
	<u>\$ 6,053,518</u>	<u>\$ 390,357</u>
Included in the balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 6,341,726	\$ 1,072,281
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(288,208)</u>	<u>(681,924)</u>
	<u>\$ 6,053,518</u>	<u>\$ 390,357</u>

5. Long-term debt:

Long-term debt consists of the following:

	<u>1998</u>
Obligations to various financing corporations due in current monthly installments totaling \$116,074, including interest at fixed rates approximating 7%. The notes, which are secured by the financed equipment, mature at various dates through August 2003.	\$ 3,964,581

CCI CONSTRUCTION COMPANY, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 1998 AND 1997****5. Long-term debt (continued):**

	<u>1998</u>
Borrowings under a \$2,000,000 bank equipment line of credit are secured by the financed equipment. The agreement requires the December 31, 1998 balance to be repaid by December 2003 in monthly installments of \$30,238, including interest at a fixed rate of 6.7%.	<u>\$ 1,538,074</u>
Total long-term debt	5,502,655
Less current portion	<u>1,338,280</u>
Long-term debt portion	<u>\$ 4,164,375</u>

Aggregate principal payments due on long-term debt for the five years subsequent to December 31, 1998 are as follows:

1999	\$ 1,338,280
2000	1,415,424
2001	1,242,569
2002	961,559
2003	<u>544,823</u>
	<u>\$ 5,502,655</u>

6. Operating line of credit:

The Company has available a \$2,000,000 unsecured operating line of credit expiring on April 30, 1999 which requires interest at the bank's prime rate less 1/2%. The Company has no outstanding balance on the line at December 31, 1998.

7. Rent expense:

Various equipment and operating facilities are leased under noncancellable agreements. Total rent expense for all leases, including the related party lease discussed in Note 8, was \$1,689,666 and \$432,492 in 1998 and 1997, respectively.

The aggregate minimum rental commitments under all noncancellable leases at December 31, 1998 totaling \$28,639 are due in 1999.

CCI CONSTRUCTION COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1998 AND 1997

8. Related party transactions:

The Company is leasing an operating facility owned by its sole shareholder through March 31, 1999. The lease requires a monthly rental payment of \$4,037. Rent expense for this facility was \$48,444 and \$45,000 for 1998 and 1997, respectively.

Effective April 1, 1999, the Company will begin leasing an operating facility from Mechanicsburg Land Company, which is owned by the Company's sole shareholder, on a year-to-year basis. The initial lease, which expires December 31, 1999, requires monthly lease payments of \$14,329. Additionally, the Company entered into a contract for the construction of this facility with Mechanicsburg Land Company. Billings of \$339,203 were included in accounts receivable as of December 31, 1998.

During 1997, the Company incurred warranty insurance expense of \$825,000 with Pennsylvania Contractors Insurance Company, a corporation under common control. These costs are allocated as direct cost of contracts. There were no such costs in 1998.

During 1998, two insurance claims for contract losses incurred of \$900,000 were paid by Pennsylvania Contractors Insurance Company. These claims were covered under the terms of a remedial work period insurance policy.

In addition, Pennsylvania Contractors Insurance Company has guaranteed a claim of \$1,162,460 filed by the Company with a contract owner. If the owner fails to pay all or any part of this claim, the insurance company will pay the unpaid portion.

9. Income taxes:

No provision has been made for federal or state income taxes. Under provisions of the Internal Revenue Code and the Commonwealth of Pennsylvania Tax Act, the Company has elected not to be taxed as a corporation and the sole shareholder has consented to include the income in his individual return.

10. Year 2000 issues:

Like any other company, advances and changes in available technology can significantly affect the business and operations of the Company. A challenging problem exists as many computer systems worldwide do not have the capability of recognizing the year 2000 or years thereafter. No easy technology "quick fix" has yet been developed for this problem. While the Company has not requested verification of its year 2000 status from its auditors, it believes its computer systems will effectively deal with transactions in the year 2000 and beyond. This "Year 2000 Computer Problem" creates risk for the Company from unforeseen problems from third parties with whom the Company deals on financial transactions. Failures of the third parties' computer systems could have an impact to the Company's ability to conduct its business. The effect, if any, is unknown at this time.

CCI CONSTRUCTION COMPANY, INC.**COST OF CONTRACTS****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Direct costs:		
Labor	\$ 6,457,982	\$ 2,886,054
Payroll taxes	702,129	335,936
Employee benefits	667,597	677,477
Equipment	111,207	41,373
Equipment rental	1,625,224	381,924
Materials	10,371,108	4,259,253
Other	1,745,316	1,679,129
Subcontractors	<u>27,802,562</u>	<u>22,099,706</u>
	<u>49,483,125</u>	<u>32,360,852</u>
Indirect costs:		
Salaries	528,517	86,208
Payroll taxes	61,224	11,217
Employee benefits	70,560	8,324
Blueprints	163	6
Depreciation	687,512	95,723
Dues and permits	5,340	710
Employee recruitment	44,621	7,151
Insurance	4,486	716
Office supplies and expense	53,393	8,112
Postage	2,187	253
Professional services	37,338	
Rent	40,731	8,636
Repairs and maintenance	12,655	3,648
Safety	2,732	2,157
Telephone	28,926	11,802
Temporary help	7,591	
Trade books and journals	1,892	556
Training and seminars	8,303	
Travel and entertainment	10,290	728
Utilities	10,397	1,413
Warehouse expenses	<u>43,399</u>	<u>9,261</u>
	<u>1,662,257</u>	<u>256,621</u>
Total cost of contracts	<u><u>\$ 51,145,382</u></u>	<u><u>\$ 32,617,473</u></u>

CCI CONSTRUCTION COMPANY, INC.**GENERAL AND ADMINISTRATIVE EXPENSES****YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Salaries:		
Officers	\$ 353,939	\$ 1,038,273
Office	480,807	410,023
Payroll taxes	60,247	73,399
Employee:		
Benefits	53,857	33,722
Recruitment	4,379	2,237
Advertising	3,067	1,038
Bad debt	22,569	
Bank charges	5,111	3,667
Blueprints	17,551	13,507
Company sponsored activities	2,373	1,098
Contributions	14,220	3,030
Depreciation	105,502	60,781
Dues	16,335	8,058
Insurance	12,399	12,162
Licenses and taxes	44,559	44,270
Miscellaneous		265
Office supplies	50,617	18,875
Postage	8,967	7,914
Professional services	109,543	95,337
Rent	23,711	33,744
Repairs and maintenance	6,555	7,689
Telephone	19,164	31,328
Temporary help	1,719	
Trade books and journals	24,222	22,995
Training and seminars	5,938	1,086
Travel and entertainment	30,687	5,948
Utilities	27,662	23,934
Total general and administrative expenses	<u>\$ 1,505,700</u>	<u>\$ 1,954,380</u>

CCI CONSTRUCTION COMPANY, INC.**EARNINGS FROM CONTRACTS****YEAR ENDED DECEMBER 31, 1998**

	<u>Revenues earned</u>	<u>Cost of revenues earned</u>	<u>Gross profit (loss)</u>
Contracts completed during the year	\$ 13,541,950	\$ 13,969,824 (a)	\$ (427,874)
Contracts-in-progress at year-end	38,721,607	35,389,315 (a)	3,332,292
Construction management contracts	83,777	20,444 (a)	63,333
Time and material jobs	<u>187,119</u>	<u>103,542 (a)</u>	<u>83,577</u>
	52,534,453	49,483,125	3,051,328
Indirect costs	<u> </u>	<u>1,662,257</u>	<u>(1,662,257)</u>
	<u>\$ 52,534,453</u>	<u>\$ 51,145,382</u>	<u>\$ 1,389,071</u>

(a) Excludes indirect costs not allocated to specific jobs.

CCI CONSTRUCTION COMPANY, INC.

COMPLETED CONTRACTS

YEAR ENDED DECEMBER 31, 1998

Job number	Contract	Contract totals			Before January 1, 1998			During the year ended December 31, 1998		
		Revenues earned	Cost of revenues earned	Gross profit (loss) before indirect costs	Revenues earned	Cost of revenues earned	Gross profit before indirect costs	Revenues earned	Cost of revenues earned	Gross profit (loss) before indirect costs
426	U.E.P.H. Complex	\$ 19,272,256	\$ 17,479,889	\$ 1,792,367	\$ 17,763,732	\$ 15,878,479	\$ 1,885,253	\$ 1,508,524	\$ 1,601,410	\$ (92,886)
445	Houtzdale Prison	10,937,202	11,397,234	(460,032)	4,086,420	4,169,371	(82,951)	6,850,782	7,227,863	(377,081)
448	Outlook Creekview	4,800,644	4,655,443	145,201	554,419	521,254	33,165	4,246,225	4,134,189	112,036
449	U.E.P.H. Headquarters	1,456,558	1,521,701	(65,143)	520,139	515,339	4,800	936,419	1,006,362	(69,943)
		<u>\$ 36,466,660</u>	<u>\$ 35,054,267</u>	<u>\$ 1,412,393</u>	<u>\$ 22,924,710</u>	<u>\$ 21,084,443</u>	<u>\$ 1,840,267</u>	<u>\$ 13,541,950</u>	<u>\$ 13,969,824</u>	<u>\$ (427,874)</u>

CCI CONSTRUCTION COMPANY, INC.

CONTRACTS-IN-PROGRESS

DECEMBER 31, 1998

Job number	Project	Total contract price	Estimated total direct contract costs	Estimated total contract earnings (loss) before indirect costs	Inception to December 31, 1998			December 31, 1998 Costs and estimated earnings in excess of billings	December 31, 1998 Billings in excess of costs and estimated earnings	Year ended December 31, 1999		
					Direct contract costs to December 31, 1998	Contract earnings (loss) accrued to December 31, 1998 before indirect costs	Billings to December 31, 1998			Revenues earned	Direct cost of revenues earned	Gross profit (loss) before indirect costs
439	Mahoney Prison	\$ 11,899,418	\$ 10,667,972	\$ 1,031,446	\$ 10,666,808	\$ 1,031,333	\$ 10,481,740	\$ 1,216,401		\$ 5,623,543	\$ 4,357,588	\$ 1,265,957
450	Johnstown	3,268,600	3,245,082	21,518	1,172,768	7,776	730,724	449,818		1,094,029	1,057,305	6,724
451	Lord Fairfax	7,082,984	7,301,111	(218,127)	6,659,984	(218,127)	6,570,468		\$ 128,811	5,998,748	6,248,376	(249,630)
454	Albemarle Prison	14,524,840	12,875,751	1,649,089	4,819,694	617,292	4,719,428	717,560		5,436,966	4,819,694	617,292
455	Perry Point	12,837,341	11,463,840	1,473,501	4,734,492	608,547	3,108,536	2,234,500		5,343,039	4,734,492	608,547
456	Outlook - Hilliard	5,380,745	4,801,310	579,435	2,715,193	327,677	2,732,602	310,268		3,042,870	2,715,193	327,677
457	Camp Hill	1,495,629	1,372,273	123,356	547,295	49,197	617,789		21,307	598,492	547,295	49,197
459	Scott Air Force Base	14,870,150	13,929,350	940,800	6,026,575	407,040	6,571,905		138,280	6,433,615	6,026,575	407,040
460	Germ Plasma Center	15,585,000	14,667,024	897,976	2,805,995	177,917	2,252,158	831,758		3,083,912	2,805,995	177,917
461	Outlook - Chesterfield	3,842,372	3,678,824	212,548	1,518,251	88,902	1,097,444	509,709		1,607,153	1,518,251	88,902
462	Outlook - Westerville	5,589,900	5,218,140	371,760	458,553	32,669	419,511	71,711		491,222	458,553	32,669
		<u>\$ 98,254,979</u>	<u>\$ 89,171,677</u>	<u>\$ 7,083,302</u>	<u>\$ 42,225,608</u>	<u>\$ 3,130,223</u>	<u>\$ 39,302,311</u>	<u>\$ 6,341,728</u>	<u>\$ 288,208</u>	<u>\$ 38,721,607</u>	<u>\$ 35,369,315</u>	<u>\$ 3,352,292</u>

Total Work on Hand: \$50,899
Total GP on Contracts in Process (%): 7.4%
Remaining GP on Contracts in Process (%): 7.8%
Bonded Work on Hand: \$49,999

Contract Description	Orig. Price Incl. App. Change	Total Amt. Billed to Date Incl. Order's	Total Costs to Date	Revised Est. Rem. Costs to Completion	Estimated Completion Date	Revised Total Costs	Gross Profit or Loss	Excess Billings Over Costs	Encumbrance Over Billings	Percent Completed (C/C)	Earned Profit	Loss Reserve	Pure Job Borrow	Billed Unearned Profit	Unbilled Earned Profit	Under-billings C-EEB	Over-billings B-C-EE	Work On Hand	
In-Process Contracts																			
MAHANOV PRISON	\$11,699	\$10,462	\$10,163	\$1		\$10,668	\$1,031	\$0	\$165	100.0%	\$1,031	\$0	\$0	\$0	\$1,031	\$1,216	\$0	\$1	
JOHNSTOWN	\$3,287	\$731	\$1,173	\$2,072		\$3,245	\$22	\$0	\$442	38.2%	\$6	\$0	\$0	\$0	\$6	\$450	\$0	\$2,066	
LOBO FAIRFAX	\$7,003	\$6,570	\$6,860	\$841		\$7,301	(\$216)	\$0	\$80	91.2%	(\$219)	\$216	\$0	\$0	\$0	\$126	\$0	\$841	
LEBANABLE	\$14,525	\$4,719	\$4,820	\$2,056		\$12,878	\$1,648	\$0	\$101	37.4%	\$617	\$0	\$0	\$0	\$617	\$0	\$0	\$8,006	
OUTLOOK HILL	\$5,361	\$2,733	\$2,715	\$2,066		\$4,801	\$560	\$16	\$0	56.6%	\$328	\$0	\$0	\$0	\$328	\$310	\$0	\$2,336	
PERRY POINT	\$12,937	\$3,108	\$4,734	\$6,750		\$11,464	\$1,473	\$0	\$1,625	41.3%	\$608	\$0	\$0	\$0	\$608	\$2,233	\$0	\$7,305	
SCOTT A. F. BASE	\$14,670	\$6,572	\$6,072	\$7,902		\$13,929	\$841	\$245	\$0	43.3%	\$407	\$0	\$0	\$0	\$407	\$0	\$136	\$12,491	
GERMANIA CENTER	\$15,965	\$2,262	\$2,906	\$11,761		\$14,667	\$686	\$0	\$654	19.6%	\$372	\$0	\$0	\$0	\$372	\$178	\$0	\$16,438	
OUTLOOK-CHESTER	\$3,642	\$1,087	\$1,518	\$2,112		\$3,630	\$212	\$0	\$401	41.6%	\$69	\$0	\$0	\$0	\$69	\$510	\$0	\$2,225	
OUTLOOK-WESTER	\$5,590	\$400	\$459	\$2,311		\$5,218	\$372	\$0	\$39	6.8%	\$33	\$0	\$0	\$0	\$33	\$72	\$0	\$5,086	
CCI Camp Hill	\$1,486	\$616	\$547	\$625		\$1,372	\$124	\$71	\$0	39.9%	\$49	\$0	\$0	\$0	\$49	\$22	\$22	\$901	

TOTALS	\$98,255	\$39,303	\$42,226	\$46,945	\$59,171	\$7,084	\$634	\$3,557	47.6%	53.130	\$218	\$0	\$180	\$2,874	\$9,361	\$288	\$50,889
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Objectives	Contract Description	Final		Final Gross	
		Bonded by USFSG Method	Contract Price	Final Cost	Profit or Loss

U.E.P.H. COMPLEX	Yes	Schedule	\$19,272	\$17,480	\$1,792
HOUTZDALE PRISON	Yes	Schedule	\$10,937	\$11,393	(\$456)
U.E.P.H. CO-HQTR	Yes	Schedule	\$1,457	\$1,522	(\$65)
CAP RENOVAT	Yes	Schedule	\$1,284	\$1,284	\$0
OUTLOOK-CRENNIE	No	Schedule	\$4,801	\$4,555	\$246
Outlook Newspaper	No	Manual	\$15	\$13	\$2
Outlook Thelshire	No	Manual	\$3	\$3	\$0

TOTALS	\$37,770	\$30,304	\$1,425
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Schedule Date: 11/30/1998
Schedule Source: In-house
Report Period: Interim

WIP Schedule Report
For CCI Construction Co., Inc. (575)

Total Work on Hand: \$63,168
Total GP on Contracts in Process (%): 6.6%
Remaining GP on Contracts in Process (%): 8.3%
Bonded Work on Hand: \$61,773

Contract Description	Contract Price	Total Amt. Bld to Date	Total Costs to Date	Revised Est. Rem. Costs to Completion	Estimated Total Costs	Revised Gross Profit or Loss	Excess Billing Over Costs	Excess Billing Over Costs	Percent Completed (C/C)	Earned Profit	Loss Reserve	Pure Job Borrow	Bld to Date Profit	Unbld Earned Profit	Under-Billing C-EEB	Over-Billing B+C-EE	Work On Hand
In-Process Contracts																	
U.E.P.H. COMPLEX	\$19,177	\$19,164	\$17,419	\$2	\$17,421	\$1,756	\$1,765	\$0	100.0%	\$1,756	\$0	\$0	\$0	\$0	\$0	\$0	\$2
MAHANOY PRISON	\$11,137	\$10,482	\$10,617	\$39	\$10,656	\$481	\$0	\$135	99.6%	\$479	\$0	\$0	\$0	\$479	\$614	\$0	\$41
HOUTZDALE PRISON	\$10,889	\$10,889	\$11,311	\$66	\$11,387	(\$498)	\$0	\$422	99.3%	(\$498)	\$498	\$0	\$0	\$0	\$0	\$78	\$65
U.E.P.H. CO HOITR	\$1,450	\$1,435	\$1,483	\$9	\$1,492	(\$42)	\$0	\$48	99.4%	(\$42)	\$42	\$0	\$0	\$0	\$0	\$0	\$9
JOHNSTOWN	\$3,292	\$3,774	\$460	\$2,803	\$3,263	\$29	\$0	\$46	14.1%	\$4	\$0	\$0	\$0	\$4	\$90	\$0	\$2,828
LORD FAIRFAX	\$7,056	\$6,335	\$5,943	\$895	\$6,838	\$218	\$392	\$0	86.9%	\$188	\$0	\$174	\$29	\$0	\$0	\$203	\$324
ALBEMARLE	\$14,345	\$4,426	\$3,777	\$8,047	\$12,824	\$1,721	\$849	\$0	28.9%	\$515	\$0	\$0	\$134	\$0	\$0	\$134	\$10,053
CAP RENOVATION	\$1,294	\$1,294	\$1,184	\$0	\$1,184	\$110	\$0	\$0	100.0%	\$110	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PERRY POINT	\$5,270	\$2,040	\$1,866	\$2,831	\$4,697	\$573	\$174	\$0	39.7%	\$227	\$0	\$0	\$0	\$53	\$53	\$0	\$3,177
SCOTT A. F. BASE	\$12,837	\$2,196	\$1,891	\$3,556	\$11,447	\$1,490	\$305	\$0	16.5%	\$246	\$0	\$0	\$59	\$0	\$0	\$59	\$10,800
GERMPLASM CENTER	\$14,859	\$5,660	\$3,952	\$8,790	\$13,742	\$1,117	\$1,708	\$0	28.6%	\$322	\$0	\$581	\$785	\$0	\$0	\$1,386	\$10,585
OUTLOOK-CHESTER	\$15,500	\$1,462	\$797	\$13,890	\$14,487	\$1,013	\$685	\$0	5.5%	\$56	\$0	\$40	\$629	\$0	\$0	\$629	\$14,647
OUTLOOK-CREEKVIEW	\$3,629	\$826	\$870	\$2,843	\$3,613	\$216	\$256	\$0	18.5%	\$40	\$0	\$40	\$176	\$0	\$0	\$216	\$3,119
OUTLOOK-WESTER	\$4,791	\$4,752	\$4,490	\$158	\$4,648	\$143	\$282	\$0	96.6%	\$138	\$0	\$119	\$5	\$0	\$0	\$124	\$3,163
CCI Camp 144	\$5,580	\$75	\$82	\$5,132	\$5,214	\$376	\$0	\$7	1.6%	\$6	\$0	\$0	\$0	\$6	\$0	\$0	\$5,502
Outlook Newport	\$1,496	\$275	\$246	\$1,150	\$1,396	\$100	\$33	\$0	17.6%	\$18	\$0	\$0	\$15	\$0	\$0	\$15	\$1,232
Outlook Thistle	\$15	\$0	\$13	\$0	\$13	\$2	\$0	\$13	100.0%	\$2	\$0	\$0	\$0	\$2	\$15	\$0	\$0
TOTALS	\$132,840	\$71,828	\$88,204	\$57,931	\$124,135	\$8,805	\$6,339	\$714	53.3%	\$3,568	\$540	\$933	\$1,842	\$544	\$794	\$2,851	\$63,168

Pending Contracts

Contract Description	Bonded by USFEG	Comp. Method	Final Contract Price	Final Cost	Final Gross Profit or Loss
Completed Contracts					
TOTALS					

All numbers are in thousands except Bond Information section and the Bond Premium List.

NOV 1996

CONTRIBUTION:

Dr. Carinich
Miller
Gonzalez
Phillips
Sechrest

C:

2,056,104

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